



**NEIGHBORHOOD OF AFFORDABLE HOUSING, INC.  
AND AFFILIATES**

**COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

# NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Contents  
December 31, 2014

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## Independent Auditor's Report

To the Board of Directors of  
Neighborhood of Affordable Housing, Inc. and Affiliates:

### **Report on the Combined Financial Statements**

We have audited the accompanying combined financial statements of Neighborhood of Affordable Housing, Inc. (a Massachusetts corporation, not for profit) and Affiliates (collectively, NOAH and Affiliates), which comprise the combined statement of financial position as of December 31, 2014, and the related combined statements of activities, changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the combined financial statements.

### **Management's Responsibility for the Combined Financial Statements**

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Neighborhood of Affordable Housing, Inc. and Affiliates as of December 31, 2014, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying supplementary information shown on pages 32 through 41 is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

*Alexander, Brown, Pinning & Co., P.C.*

Boston, Massachusetts  
June 18, 2015

**NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES**

Combined Statement of Financial Position  
December 31, 2014

<b>Assets</b>	<b>Operating</b>	<b>Rental Programs</b>	<b>Eliminations</b>	<b>Total</b>
<b>Current Assets:</b>				
Cash - operating	\$ 1,428,363	\$ 432,461	\$ -	\$ 1,860,824
Cash - development	413,304	194,782	-	608,086
Current portion of restricted deposits	190,877	191,911	-	382,788
Current portion of contracts, loans and other receivables	205,740	70,111	(25,867)	249,984
Current portion of due from affiliates	730,216	-	(730,216)	-
Prepaid expenses and other	6,798	83,822	-	90,620
Total current assets	2,975,298	973,087	(756,083)	3,192,302
Certificate of Deposit	114,295	-	-	114,295
Restricted Deposits, net of current portion	498,668	1,037,435	-	1,536,103
Contracts, Loans and Other Receivables, net of current portion and allowance for doubtful accounts	150,664	-	-	150,664
Due from Affiliates, net of current portion	182,143	-	(182,143)	-
Capitalized Costs, net	13,199	237,514	-	250,713
Projects Under Development	2,794,164	16,553,747	-	19,347,911
Property and Equipment, net	2,193,975	25,753,716	(165,305)	27,782,386
Total assets	\$ 8,922,406	\$ 44,555,499	\$ (1,103,531)	\$ 52,374,374
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities:</b>				
Current portion of mortgages and notes payable	\$ 188,861	\$ 92,788	\$ -	\$ 281,649
Current portion of accrued interest	10,077	159,466	(25,867)	143,676
Accounts payable and other liabilities	242,171	346,383	-	588,554
Current portion of developer fee payable	-	710,278	(710,278)	-
Deferred revenue	-	8,018	-	8,018
Current portion of due to affiliates	-	19,938	(19,938)	-
Total current liabilities	441,109	1,336,871	(756,083)	1,021,897
<b>Long-Term Liabilities:</b>				
Mortgages and notes payable, net of current portion	4,102,550	16,940,443	(511,179)	20,531,814
Due to affiliates, net of current portion	65,410	427,771	(493,181)	-
Construction payable	71,527	2,731,160	-	2,802,687
Accrued interest, net of current portion	-	1,518,169	-	1,518,169
Developer fee payable, net of current portion	-	211,593	(211,593)	-
Contingent loans and advances	-	15,488,293	-	15,488,293
Total long-term liabilities	4,239,487	37,317,429	(1,215,953)	40,340,963
Total liabilities	4,680,596	38,654,300	(1,972,036)	41,362,860
<b>Net Assets:</b>				
<b>Unrestricted:</b>				
Operating	2,137,899	349,047	170,826	2,657,772
Development	687,298	(2,055)	-	685,243
Property and equipment	2,187	5,147,099	(6,088,190)	(938,904)
Total unrestricted	2,827,384	5,494,091	(5,917,364)	2,404,111
Temporarily restricted	508,527	100,000	-	608,527
Permanently restricted - NW capital funds	905,899	307,108	75,000	1,288,007
Total net assets attributable to NOAH	4,241,810	5,901,199	(5,842,364)	4,300,645
Non-controlling interest in combined subsidiaries	-	-	6,710,869	6,710,869
Total net assets	4,241,810	5,901,199	868,505	11,011,514
Total liabilities and net assets	\$ 8,922,406	\$ 44,555,499	\$ (1,103,531)	\$ 52,374,374

The accompanying notes are an integral part of these combined statements.

**NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES**

 Combined Statement of Activities  
 For the Year Ended December 31, 2014

	<u>Operating</u>	<u>Rental Programs</u>	<u>Eliminations</u>	<u>Total</u>
<b>Unrestricted Net Assets:</b>				
Operating revenues:				
Rental income, net of vacancies	\$ 50,062	\$ 2,013,216	\$ -	\$ 2,063,278
Project management and developer fees, net	855,989	-	26,716	882,705
Contracts, grants and other fees	790,736	-	-	790,736
Interest income and other	96,443	40,734	(26,066)	111,111
Property management fees	351,389	-	(339,029)	12,360
Net assets released from purpose restrictions	647,384	-	-	647,384
	<u>2,792,003</u>	<u>2,053,950</u>	<u>(338,379)</u>	<u>4,507,574</u>
Total operating revenues				
Operating expenses:				
Operating programs	2,279,649	-	-	2,279,649
Rental programs	-	1,911,134	(364,896)	1,546,238
Depreciation and amortization	76,033	757,714	(4,350)	829,397
	<u>2,355,682</u>	<u>2,668,848</u>	<u>(369,246)</u>	<u>4,655,284</u>
Total operating expenses				
Changes in unrestricted net assets from operations	<u>436,321</u>	<u>(614,898)</u>	<u>30,867</u>	<u>(147,710)</u>
Non-operating expenses:				
Rent-up and marketing	-	(142,880)	-	(142,880)
Deferred interest	-	(225,275)	-	(225,275)
	<u>-</u>	<u>(368,155)</u>	<u>-</u>	<u>(368,155)</u>
Total non-operating expenses				
Changes in unrestricted net assets	<u>436,321</u>	<u>(983,053)</u>	<u>30,867</u>	<u>(515,865)</u>
<b>Temporarily Restricted Net Assets:</b>				
Grants and contributions	608,203	-	-	608,203
Net assets released from purpose restrictions	(647,384)	-	-	(647,384)
	<u>(39,181)</u>	<u>-</u>	<u>-</u>	<u>(39,181)</u>
Changes in temporarily restricted net assets				
<b>Permanently Restricted Net Assets:</b>				
Grants and contributions	75,000	-	-	75,000
Provision from valuation allowance on NW Fund investments	(75,000)	-	75,000	-
	<u>-</u>	<u>-</u>	<u>75,000</u>	<u>75,000</u>
Changes in permanently restricted net assets				
Changes in net assets	397,140	(983,053)	105,867	(480,046)
<b>Changes to Net Assets Attributable to Non-Controlling Interest:</b>				
Non-controlling interest attributable to combined subsidiaries	-	806,542	-	806,542
	<u>-</u>	<u>806,542</u>	<u>-</u>	<u>806,542</u>
Changes in net assets attributable to NOAH and Affiliates	<u>\$ 397,140</u>	<u>\$ (176,511)</u>	<u>\$ 105,867</u>	<u>\$ 326,496</u>

The accompanying notes are an integral part of these combined statements.

**NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES**

Combined Statement of Changes in Net Assets  
For the Year Ended December 31, 2014

	<b>NOAH and Affiliates</b>				<b>Non- Controlling Interest</b>	<b>Total</b>
	<b>Operating</b>	<b>Rental Programs</b>	<b>Eliminations</b>	<b>Total</b>		
<b>Net Assets</b> , December 31, 2013	\$ 3,844,670	\$ 2,898,215	\$ (2,432,885)	\$ 4,310,000	\$ 3,195,523	\$ 7,505,523
Capital contributions	-	4,061,287	(4,061,287)	-	4,061,287	4,061,287
Syndication fees	-	(75,250)	75,250	-	(75,250)	(75,250)
Transfer of non-controlling interest	-	-	(335,851)	(335,851)	335,851	-
Changes in net assets	<u>397,140</u>	<u>(983,053)</u>	<u>912,409</u>	<u>326,496</u>	<u>(806,542)</u>	<u>(480,046)</u>
<b>Net Assets</b> , December 31, 2014	<u>\$ 4,241,810</u>	<u>\$ 5,901,199</u>	<u>\$ (5,842,364)</u>	<u>\$ 4,300,645</u>	<u>\$ 6,710,869</u>	<u>\$ 11,011,514</u>

The accompanying notes are an integral part of these combined statements.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Combined Statement of Cash Flows  
For the Year Ended December 31, 2014

	<u>Operating</u>	<u>Rental Programs</u>	<u>Eliminations</u>	<u>Total</u>
<b>Cash Flows from Operating Activities:</b>				
Changes in net assets	\$ 397,140	\$ (983,053)	\$ 105,867	\$ (480,046)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:				
Depreciation and amortization	76,033	757,714	(4,350)	829,397
Deferred interest	-	225,275	-	225,275
Bad debts	2,935	23,520	-	26,455
Changes in operating assets and liabilities:				
Contracts, loans and other receivables	43,980	(61,152)	(26,882)	(44,054)
Due from affiliates	(444,198)	-	444,198	-
Prepaid expenses and other	(113)	(10,434)	-	(10,547)
Accrued interest	(30,416)	133,599	4,221	107,404
Accounts payable and other liabilities	(36,887)	84,748	-	47,861
Deferred revenue	-	1,098	-	1,098
Due to affiliates	-	177,442	(177,442)	-
Deferred interest payments	-	(29,961)	-	(29,961)
Net cash provided by operating activities	<u>8,474</u>	<u>318,796</u>	<u>345,612</u>	<u>672,882</u>
<b>Cash Flows from Investing Activities:</b>				
Increase in projects under development	(612,678)	(13,726,087)	(368,273)	(14,707,038)
Financing fees	(5,000)	(157,661)	-	(162,661)
Increase in restricted deposits	(561,951)	(381,180)	-	(943,131)
Purchase of certificate of deposit	(114,295)	-	-	(114,295)
Acquisition of property and equipment	-	(2,845,358)	-	(2,845,358)
Net cash used in investing activities	<u>(1,293,924)</u>	<u>(17,110,286)</u>	<u>(368,273)</u>	<u>(18,772,483)</u>
<b>Cash Flows from Financing Activities:</b>				
Principal payments of mortgages and notes payable	(1,007,632)	(3,547,425)	22,661	(4,532,396)
Capital contributions	-	4,061,287	-	4,061,287
Syndication fees	-	(75,250)	-	(75,250)
Proceeds from contingent loans and advances	3,023,641	6,159,192	-	9,182,833
Proceeds from mortgages and notes payable	-	10,378,256	-	10,378,256
Principal payments on capital lease obligation	(18,539)	-	-	(18,539)
Net cash provided by financing activities	<u>1,997,470</u>	<u>16,976,060</u>	<u>22,661</u>	<u>18,996,191</u>
<b>Net Change in Cash</b>	<b>712,020</b>	<b>184,570</b>	<b>-</b>	<b>896,590</b>
<b>Cash:</b>				
Beginning of year	<u>1,129,647</u>	<u>442,673</u>	<u>-</u>	<u>1,572,320</u>
End of year	<u>\$ 1,841,667</u>	<u>\$ 627,243</u>	<u>\$ -</u>	<u>\$ 2,468,910</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>				
Cash paid for interest	<u>\$ 65,494</u>	<u>\$ 298,320</u>	<u>\$ -</u>	<u>\$ 363,814</u>
Construction in process placed in service	<u>\$ -</u>	<u>\$ 5,974,710</u>	<u>\$ -</u>	<u>\$ 5,974,710</u>
Projects under development financed with accounts payable	<u>\$ 71,527</u>	<u>\$ 2,731,160</u>	<u>\$ -</u>	<u>\$ 2,802,687</u>
Projects under development financed with developer fee payable	<u>\$ -</u>	<u>\$ 810,278</u>	<u>\$ -</u>	<u>\$ 810,278</u>

The accompanying notes are an integral part of these combined statements.



NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Combined Statement of Functional Expenses  
For the Year Ended December 31, 2014

	Operating Programs								Total Operating Programs	Rental Programs	Eliminations	Total	
	Central Adminis- tration	Senior Home Repair	Housing Counseling	Community Services	Homebuyer Services Program	Real Estate and Economic Development	Property Management	NOAH CDFI					
<b>Personnel and Related:</b>													
Salaries	\$ 238,803	\$ 70,406	\$ 33,402	\$ 175,769	\$ 317,525	\$ 251,875	\$ 185,748	\$ 2,873	\$ -	\$ 1,276,401	\$ -	\$ -	\$ 1,276,401
Consulting and contract labor	5,650	7,635	-	4,200	2,025	865	60,579	-	-	80,954	207,233	-	288,187
Employee benefits	28,664	23,281	3,133	20,678	52,435	18,003	12,017	383	-	158,594	-	-	158,594
Payroll taxes	20,050	6,405	3,251	16,714	28,012	21,113	17,309	284	-	113,138	-	-	113,138
Total personnel and related	<u>293,167</u>	<u>107,727</u>	<u>39,786</u>	<u>217,361</u>	<u>399,997</u>	<u>291,856</u>	<u>275,653</u>	<u>3,540</u>	<u>-</u>	<u>1,629,087</u>	<u>207,233</u>	<u>-</u>	<u>1,836,320</u>
<b>Other:</b>													
Interest expense and bank fees	26,921	-	-	-	598	5,566	-	-	-	33,085	383,574	(25,867)	390,792
Telephone and utilities	2,538	2,009	665	3,691	6,612	3,519	5,672	-	-	24,706	301,486	-	326,192
Insurance and taxes	7,071	3,168	269	1,629	6,674	3,610	1,738	3,737	-	27,896	256,188	-	284,084
Special events and other program expenses	12,057	85,371	120	13,537	76,842	2,481	2,503	150	-	193,061	89,910	-	282,971
Professional fees	45,780	2,799	2,071	6,413	13,871	15,722	10,421	6,930	-	104,007	119,404	-	223,411
Repairs, maintenance and security	14,789	2,529	804	4,480	6,516	3,472	5,160	-	-	37,750	462,912	(339,029)	161,633
Facility	30,948	14,079	5,331	27,180	45,613	31,041	32,616	-	(92,993)	93,815	-	-	93,815
Advertising	68	2,047	-	-	44,910	852	-	-	-	47,877	-	-	47,877
Travel and conferences	3,160	2,309	691	413	15,804	8,194	7,474	-	-	38,045	8,417	-	46,462
Supplies and general office	9,574	791	473	2,216	3,983	6,600	3,597	-	-	27,234	13,821	-	41,055
Bad debts	1,172	-	-	1,718	45	-	-	-	-	2,935	23,520	-	26,455
Equipment rental and purchases	297	129	73	369	500	284	371	-	-	2,023	23,635	-	25,658
Miscellaneous	1,402	-	-	3,600	220	1,369	-	55	-	6,646	21,034	-	27,680
Dues and subscriptions	8,204	128	64	367	586	1,771	362	-	-	11,482	-	-	11,482
Total other	<u>163,981</u>	<u>115,359</u>	<u>10,561</u>	<u>65,613</u>	<u>222,774</u>	<u>84,481</u>	<u>69,914</u>	<u>10,872</u>	<u>(92,993)</u>	<u>650,562</u>	<u>1,703,901</u>	<u>(364,896)</u>	<u>1,989,567</u>
Total expenses before depreciation and amortization	457,148	223,086	50,347	282,974	622,771	376,337	345,567	14,412	(92,993)	2,279,649	1,911,134	(364,896)	3,825,887
<b>Depreciation and Amortization</b>	<u>29,961</u>	<u>4,914</u>	<u>1,109</u>	<u>6,154</u>	<u>13,719</u>	<u>10,912</u>	<u>9,264</u>	<u>-</u>	<u>-</u>	<u>76,033</u>	<u>757,714</u>	<u>(4,350)</u>	<u>829,397</u>
Total expenses	<u>\$ 487,109</u>	<u>\$ 228,000</u>	<u>\$ 51,456</u>	<u>\$ 289,128</u>	<u>\$ 636,490</u>	<u>\$ 387,249</u>	<u>\$ 354,831</u>	<u>\$ 14,412</u>	<u>\$ (92,993)</u>	<u>\$ 2,355,682</u>	<u>\$ 2,668,848</u>	<u>\$ (369,246)</u>	<u>\$ 4,655,284</u>

The accompanying notes are an integral part of these combined statements.

## NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2014

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### 1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES

Neighborhood of Affordable Housing, Inc. (NOAH) was formed to provide services, undertake activities, make loans to homeowners, and oversee developments relating to housing needs, economic development, and community services in East Boston, Massachusetts and the surrounding areas. The Affiliates include NOAH Community Development Fund, Inc., Peace Properties, Inc., Paz Properties, Inc., Shalom Properties, Inc., Trinity House LLC, Siochain Properties LP, Amani Properties LLC, Stevens Corner LP, Sitkowski LP, and Benfield Farms LP (collectively referred to as NOAH and Affiliates) (see Note 2). NOAH and its Affiliates share common management, facilities and Board membership.

NOAH is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). NOAH is also exempt from state income taxes. Contributions made to NOAH are deductible by donors within the requirements of the IRC.

#### SIGNIFICANT ACCOUNTING POLICIES

NOAH prepares its combined financial statements in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these footnotes are to the FASB Accounting Standards Codification (ASC).

#### Estimates

The preparation of combined financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Principles of Combination

The combined financial statements include the net assets of NOAH and Affiliates. The accounts of wholly-owned and majority-owned subsidiary corporations, including the general partners of NOAH's developments, have been consolidated with NOAH in the accompanying combined financial statements (see Note 2). The non-controlling interests of majority-owned subsidiaries and other affiliates, where material, have been reflected as non-controlling interest as a component of net assets in the accompanying combined statement of financial position (see page 10).

The affiliates include General Partners and Managing Members of limited partnerships and limited liability companies (collectively, LP's and LLC's) that own real estate projects that have been completed and placed in operation. The General Partners and Managing Members exercise management control over the LP's and LLC's operations. Accordingly, the LP's and LLC's are consolidated with the General Partners and Managing Members and, therefore, included in the combined financial statements of NOAH and Affiliates.

#### Cash and Cash - Development

NOAH and Affiliates consider all highly liquid investments originated with a maturity of three months or less, and that are available for current operations, to be cash for purposes of the combined statement of cash flows. Those highly liquid resources that are not generally available for current operations or otherwise restricted are classified as restricted deposits (see Note 4).

## NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2014

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### 1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Cash and Cash - Development (Continued)

Cash - development consists of cash accounts designated for projects under development.

##### Contracts, Loans and Other Receivables and Allowance for Doubtful Accounts

Contracts, loans and other receivables are shown net of allowance for doubtful accounts. This allowance is recorded based on management's analysis of specific accounts and their estimate of amounts that may become uncollectible. Accounts are written off against the allowance when they are determined to be uncollectible.

##### Projects Under Development

All project-related costs incurred during construction are capitalized for developments currently owned by Peace Properties, Inc. and Sitkowski Limited Partnership (see Note 2) as of December 31, 2014. These include construction, soft costs, overhead, interest, and others and are reflected in projects under development (see Note 7) in the accompanying combined financial statements.

##### Property, Equipment and Depreciation

Property and equipment are recorded at cost. Improvements and major repairs are capitalized, while ordinary repairs and maintenance are expensed as incurred (see Note 8). Depreciation is calculated using the straight-line method over the following estimated useful lives:

Buildings and improvements	25 – 40 years
Furniture, fixtures and equipment	5 – 7 years
Leasehold improvements	Life of lease

Depreciation expense for the year ended December 31, 2014, was \$815,947.

NOAH and Affiliates account for the carrying value of their property and equipment and projects under development in accordance with standards pertaining to ASC Topic, *Property, Plant and Equipment*, under U.S. GAAP. The carrying value is evaluated annually for impairment and no impairment loss was recognized during 2014. As of December 31, 2014, NOAH and Affiliates have not recognized any reduction in the carrying value of their property and equipment when considering this standard.

##### Capitalized Costs

Capitalized costs represent financing and tax credit fees totaling \$315,083 incurred in connection with the financing of rental properties. These costs have been capitalized and are being amortized on the straight-line basis over the term of the related financings or tax credit compliance period. Accumulated amortization was \$64,370 as of December 31, 2014. Amortization expense for the year ended December 31, 2014, was \$17,800.

##### Donated Goods and Services

NOAH and Affiliates receive donated goods and services in various aspects of its programs. These goods and services are reflected in the accompanying combined financial statements based upon the estimated value assigned to them by donating volunteers, agencies, or by management.

## NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2014

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### 1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Revenue Recognition

Rental income is recognized in the period the related facilities are occupied by the tenants. Property management fees and project management and developer fees are recognized as revenue when such services are rendered. However, due to the contingent nature of certain developer fees, some are not recognized until received or when collection is assured. Contracts and other fees are recognized over the term of the contract as services are provided. Interest income is recognized as earned.

In general, NOAH and Affiliates report grants and contributions when received or unconditionally committed by the donor as unrestricted, temporarily restricted or permanently restricted support depending on the existence and nature of any donor restrictions. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statement of activities as net assets released from restrictions.

##### Net Asset Classifications

###### *Unrestricted Net Assets*

NOAH and its Affiliates classify unrestricted net assets into three categories:

- ◆ **Operating** net assets represent that portion of each net asset group that is considered substantially liquid and is available for general operations.
- ◆ **Development** net assets include those assets and liabilities related to NOAH and Affiliates' real estate project developments, completed and uncompleted, and which resources are not expected to be available for operations for at least one year from the date of the combined statement of financial position.
- ◆ **Property and equipment** net assets represent that portion of resources, invested into long-term productive property and equipment, net of related liabilities.

**Temporarily restricted net assets** consist of those net resources not yet released from their donor-designated purpose restriction. At December 31, 2014, temporarily restricted net assets were restricted for the following:

Homebuyer and homeowner services	\$ 256,309
Community services	252,218
Rental housing	<u>100,000</u>
	<u>\$ 608,527</u>

Generally, those resources restricted for homebuyer and homeowner services, community services, and rental housing are treated as released from restriction when they are spent on expenses of those specific activities.

Included in temporarily restricted grants are capital grant proceeds which have been invested into rental housing (see Note 7). It is NOAH's policy to release these net assets from restriction upon final disposition of the particular project.

## NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2014

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### 1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Net Asset Classifications (Continued)

**Permanently restricted net assets** consist of capital grant proceeds from NeighborWorks America® (NW). These grants are for use as a permanent capital resource for NOAH's development projects and other initiatives. The terms of these grants allow NOAH to use them for capitalized costs associated with development projects, but not for operating costs. NOAH may use these funds to pay for certain development costs which, in some cases, may be collected from the project on deferred terms.

When the timing of collection is deferred or uncertain, the value of the underlying asset may be reduced by a valuation allowance. In these circumstances, NW funds are reduced by a valuation allowance. When valuation allowances are reduced by later recoveries or because collection is assured, NW restricted net assets will be increased.

NW's permanently restricted net assets were as follows as of December 31, 2014:

Cumulative capital grants received, net of authorized write-offs (see Note 9)	\$ 1,437,457
Cumulative valuation allowance	(841,024)
Add - Intercompany elimination	<u>691,574</u>
	<u>\$ 1,288,007</u>

**Non-controlling interest** represents unrelated investors' non-controlling interests in Benfield Farms and Stevens Corner (see Note 2). The unrelated investors' shares of income/loss in Benfield Farms and Stevens Corner are reflected as changes in net assets attributable to non-controlling interest in the accompanying combined statement of activities. Siochain Properties Limited Partnership was owned 99.99% by an unrelated investor. During 2014, the investor transferred its ownership interest to NOAH. This transfer of equity is represented as a transfer of non-controlling interest in the combined statement of changes in net assets.

#### Fair Value Measurements

NOAH and Affiliates follow the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that NOAH and Affiliates would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

NOAH and Affiliates use a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of NOAH and Affiliates. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

## NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2014

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### 1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Fair Value Measurements (Continued)

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

- Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.
- Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

##### Income Taxes

NOAH and Affiliates account for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the combined financial statements regarding a tax position taken or expected to be taken in a tax return. NOAH and Affiliates have determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the combined financial statements at December 31, 2014. NOAH and Affiliates information returns are subject to examination by the Federal and state jurisdictions and generally remain open for the most recent three years.

Stevens Corner GP, Inc., Benfield GP, LLC, and Sitkowski GP, LLC are C Corporations (the C-Corps) that are subject to income taxation at the Federal and state levels. At December 31, 2014, the C-Corps have \$13,929 and \$8,760 of Federal and state net operating loss carryforwards, respectively.

The C-Corps account for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard does not have a material effect on the combined financial statements for 2014, since the tax benefit of the net loss carryforwards have been fully reserved.

##### Allocation Method

Expenses related directly to a program or function are distributed to that program or function. Central administration expenses are allocated based upon management's estimate of the percentage attributable to each function.

##### Subsequent Events

Subsequent events have been evaluated through June 18, 2015, which is the date the combined financial statements were available to be issued. There were subsequent events that met the criteria for recognition and disclosure in the combined financial statements (see Note 10).

## NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2014

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### 2. RELATED PARTY TRANSACTIONS

#### Combined Entities

NOAH and Affiliates' combined financial statements include the following entities:

##### *Operating*

These entities represent core operations:

**Peace Properties, Inc. (Peace Properties)** was formed in 1992 as a non-profit 501(c)(3) affiliate of NOAH for the purpose of developing low to moderate-income housing and is treated as a non-profit for income tax purposes.

NOAH CDFI (see below) advanced Peace Properties capital funds to invest in its real estate development activities. During the year ended December 31, 2014, NOAH CDFI advanced Peace Properties \$273,672 for various projects. There was \$400,072 outstanding at December 31, 2014, and is eliminated within the operating column in the accompanying combined statement of financial position. These advances are non-interest bearing with the exception of one advance that bears 3% interest, and are due at construction closing of projects (see Note 7).

As of December 31, 2014, Peace Properties owes Stevens Corner \$65,410 for cash advances. As of December 31, 2014, Peace Properties also owed NOAH \$16,019 for cash advances. These amounts are fully reserved because the amounts are not expected to be realized in the near term.

Peace Properties owns land on which it developed fourteen condominium units known as Border Falcon Condominium units. The ground lease agreement with the purchasers of the condominium units expires in July 2105, with an option to extend the original term of the lease for one additional period of ninety-nine years. Monthly ground lease rent is \$1,329, which will be collected by Peace Properties from the purchasers of the condominium units. Monthly ground lease rent is calculated to equal 105% of the monthly payments of principal and interest necessary to amortize the Local Initiatives Support Corporation (LISC) loan (see Note 5) over the term of the loan. Upon paying the LISC loan in full, Peace Properties will continue to collect ground lease rent until the \$70,000 of NW funds borrowed from NOAH is repaid.

**Amani Properties Limited Liability Corporation (Amani Properties)** was formed in June 2006 as a limited liability company for the purpose of engaging in the development, management and conveyance of interests in the real properties located at 10 Border Street and 427-429 Falcon Street in East Boston, Massachusetts. NOAH is the sole member of Amani Properties. Amani Properties is treated as a disregarded entity for income tax purposes. NOAH CDFI loaned Amani Properties capital funds to invest in its real estate development activities. There were no amounts outstanding as of December 31, 2014. Amani Properties was dissolved in 2014.

**NOAH Community Development Fund, Inc. (NOAH CDFI)** was formed in 2001 as a non-profit affiliate of NOAH to provide loans and counseling for homeownership to low and moderate-income residents (see Note 9). NOAH CDFI is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the IRC.

NOAH CDFI loaned Peace Properties capital funds to invest in their real estate development activities (see above).

## NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2014

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### 2. RELATED PARTY TRANSACTIONS (Continued)

#### Combined Entities (Continued)

##### *Rental Programs*

**Shalom Properties, Inc. (Shalom)** was formed in 1997 as a non-profit 501(c)(2) affiliate of NOAH for the purpose of acquiring, rehabilitating, and operating a rental housing project. During the year ended December 31, 2014, NOAH billed Shalom \$104,007 for management, administrative, and maintenance expenses. As of December 31, 2014, there was no amount due to NOAH for these expenses.

**Paz Properties, Inc. (Paz)** was formed in 1993 as a non-profit 501(c)(2) affiliate of NOAH for the purpose of acquiring, rehabilitating, and operating a rental housing project. During the year ended December 31, 2014, NOAH billed Paz \$135,580 for management, administrative, and maintenance expenses. As of December 31, 2014, there was no amount due to NOAH for these expenses.

**Trinity House LLC (Trinity House)** is a Massachusetts limited liability company. NOAH is the sole owner of Trinity House. Trinity House is treated as a disregarded entity for income tax purposes. During the year ended December 31, 2014, NOAH billed Trinity House \$31,549 for management fees. There were no amounts due as of December 31, 2014.

**Siochain Properties Limited Partnership (Siochain)** was formed on October 29, 1999, as a Massachusetts limited partnership for the purposes of acquiring, rehabilitating, and operating rental housing projects. Siochain is treated as a partnership for income tax purposes. NOAH billed Siochain \$42,955 for management, administrative, and maintenance expenses for the year ended December 31, 2014. There was no amount due from Siochain as of December 31, 2014.

**Stevens Corner Limited Partnership (Stevens Corner)** was formed in October 2009 as a Massachusetts limited partnership for the purpose of acquiring, rehabilitating, and operating a rental housing project known as the Stevens Corner Project. Stevens Corner is treated as a partnership for income tax purposes. NOAH holds a 0.01% interest as the special limited partner and Stevens Corner GP, Inc. also holds 0.01% interest as a general partner. MHEF XVII, LLC (the Investor) holds a 99.98% ownership interest.

The Investor has committed \$4,341,677 in capital contributions to Stevens Corner, payable in five installments, as specified in the Stevens Corner operating agreement. As of December 31, 2014, the Investor has made all of the contributions to Stevens Corner.

NOAH receives partnership management fees and incentive management fees that are distributable based on cash flow, per the terms of the agreement. During the year ended December 31, 2014, NOAH earned \$19,938 of fees. As of December 31, 2014, \$19,938 remains unpaid and is included in due to and due from affiliates in the accompanying combined statement of financial position.

Stevens Corner was awarded Massachusetts low-income housing tax credits. These tax credits were sold by NOAH to an outside investor during the year ended December 31, 2013, for \$633,750. NOAH used the sale proceeds to make a sponsor loan to Stevens Corner (see Note 5). Payments of \$22,661 of principal and \$29,961 of interest were made in 2014 based on 2013 cash flow. As of December 31, 2014, the balance due to NOAH on the loan was \$511,179. NOAH has fully reserved the loan because it is not expected to be realized in the near term.



## NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2014

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### 2. RELATED PARTY TRANSACTIONS (Continued)

#### Combined Entities (Continued)

##### *Rental Programs* (Continued)

NOAH has issued guarantees to fund Stevens Corner's operating deficits, if the general partner fails to make any operating deficit contributions during the period before Stevens Corner achieves five consecutive twelve-month periods of break-even operations as specified in the agreement. NOAH's liability under this guarantee is limited to \$242,000.

**Benfield Farms Limited Partnership (Benfield)** is a Massachusetts limited partnership formed on September 21, 2012, for the purpose of constructing and operating a senior rental housing project (the Benfield Farms Project) located in Carlisle, Massachusetts. Benfield is treated as a partnership for income tax purposes. NOAH is a special limited partner and holds no interest in the capital, profits, losses, credits, and cash flow of Benfield. NOAH owns 100% of the interest of the general partner, Benfield GP, LLC, which holds a 0.01% interest in the capital, profits, losses, credits, and cash flow of Benfield.

The Investor Limited Partner has committed \$5,099,490 in capital contributions to Benfield, payable in seven installments, as specified in the partnership agreement. As of December 31, 2014, the Investor Limited Partner had funded \$3,976,037 of the capital contributions. The remaining installments totaling \$1,123,453 will be paid in 2015. In addition to these capital contributions, the Investor Limited Partner has funded a special capital contribution of \$75,250 to fund legal and other professional costs incurred in connection with the Investor Limited Partner's admission to Benfield. This amount is shown as syndication fees in the accompanying combined statement of changes in net assets.

NOAH, as the sponsor of Benfield, is entitled to a developer fee and overhead reimbursement for services provided during the development of the Benfield Farms Project. Benfield maximum obligation under this agreement is \$1,019,700. As of December 31, 2014, NOAH had earned the entire developer fee. As of December 31, 2014, Benfield owed NOAH \$713,788 related to the developer fee and overhead reimbursement. NOAH is expected to receive \$613,788 of the fee in 2015 from the proceeds of the Investor Limited Partner's remaining capital contributions (see above). The remaining balance of \$100,000 is deferred and bears interest at 3.36%, the long term applicable Federal rate for the month the Benfield Farms Project was completed. The deferred developer fee will be paid from net cash flow or due and payable in full in March 2027. As of December 31, 2014, NOAH has reserved the outstanding deferred developer fee. This reserve is netted against project management and developer fees in the accompanying combined statement of activities.

NOAH is entitled to receive an annual incentive management fee of \$5,000 per annum, and increasing 3% annually. Payments commence on the date the Benfield Farms Project is placed in service for rendering services in connection with the day-to-day activities of the Benfield Farms Project, as defined in the Operating Agreement. The fee is only due and payable to the extent that surplus cash allows, as defined in the Operating Agreement. If there is not enough surplus cash, this fee is cumulative. There was \$5,000 outstanding and included in due to and from affiliates in the combined statement of financial position.

## NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2014

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### 2. RELATED PARTY TRANSACTIONS (Continued)

#### Combined Entities (Continued)

##### *Rental Programs* (Continued)

Benfield was awarded Massachusetts low-income housing tax credits (State LIHTC). NOAH has entered into an agreement with an unrelated third-party to sell the State LIHTC for \$871,200, subject to the terms and conditions of the State Tax Credit Purchase and Transfer Agreement, dated April 5, 2013. NOAH will use the sale proceeds to make a sponsor loan to Benfield. NOAH sold the State LIHTC in March 2015 and made a sponsor loan to Benfield (see Note 10).

NOAH has issued guarantees to fund Benfield's operating deficits, if Benfield GP, LLC fails to make any operating deficit contributions during the period before Benfield achieves five consecutive twelve-month periods of break-even operations as specified in the agreement. NOAH's liability under this guaranty agreement is limited to \$175,000.

**Sitkowski Limited Partnership (Sitkowski)** was founded in June 2013 as a Massachusetts limited partnership for the purpose of acquiring, rehabilitating, and operating a senior rental housing project known as the A.J. Sitkowski School Project (see Note 7). Sitkowski is treated as a partnership for income tax purposes. NOAH is the initial sole member of Sitkowski. A tax credit investor is expected to be admitted in 2015 as the investor limited partner. The tax credit investor has made a bridge loan to Sitkowski which is expected to be converted into equity (see Note 6).

##### *Other Entities*

NOAH also maintains the following interest in other general partners:

- Siochain Properties, Inc., 0.01% General Partner of Siochain. NOAH owns 100% of this corporation's common stock.
- Stevens Corner GP, Inc., 0.01% General Partner of Stevens Corner. NOAH owns 79% of this corporation's common stock.
- Cutler Heights Housing, LLC, 0.01% General Partner of Cutler Heights, LP. NOAH owns 36% of the corporation's common stock.
- 143 Border Street, Inc. NOAH owns 100% of this corporation's common stock.
- Benfield GP, LLC, 0.01% General Partner of Benfield. NOAH owns 100% of this corporation's common stock.
- Sitkowski GP, LLC. NOAH owns 100% of this corporation's common stock.

The financial activities of these entities are not included as they are not material to the accompanying combined financial statements.

NOAH performs property management services for NOAH's related rental property entities. These properties are directly billed management fees for NOAH's staff assigned to the property, along with related expenses.

## NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2014

### 2. RELATED PARTY TRANSACTIONS (Continued)

#### Combined Entities (Continued)

Transactions between NOAH and these combined entities were as follows:

	<u>Operating</u>	<u>Rental Programs</u>
Developer fees and recoveries, net	\$ 882,705	\$ -
Rent charged for use of space	92,993	-
Interest on sponsor loan	25,867	-
Property management fees	<u>-</u>	<u>339,029</u>
	<u>\$ 1,001,565</u>	<u>\$ 339,029</u>

Balances between these entities as of December 31, 2014, were as follows:

	<u>NOAH</u>	<u>Peace and Amani Properties</u>	<u>NOAH CDFI</u>	<u>Rental Programs</u>	<u>Total</u>
NOAH receivable	\$ -	\$ 311,749	\$ 186,234	\$ 1,887,846	\$ 2,385,829
Peace Properties receivable	-	-	-	18,780	18,780
NOAH CDFI receivable	45,000	443,640	-	-	488,640
Stevens Corner LP receivable	<u>-</u>	<u>65,410</u>	<u>-</u>	<u>-</u>	<u>65,410</u>
Subtotal	<u>\$ 45,000</u>	<u>\$ 820,799</u>	<u>\$ 186,234</u>	<u>\$ 1,906,626</u>	2,958,659
Less - allowances for doubtful accounts					<u>1,141,259</u>
Total					<u>\$ 1,817,400</u>

#### Uncombined Entity

NOAH and Affiliates' combined financial statements include transactions with the following related entity:

**143-153 Border Street Condominium Trust (the Trust)** was created as the "Organization of Unit Owners" as required by the provisions of Chapter 183A of the Massachusetts General Laws for the purpose of managing and regulating the 143-153 Border Street Condominium established and created by a Master Deed executed by Peace Properties. One condominium unit is occupied by NOAH and Affiliates and the other is occupied by another organization. NOAH is the manager of the Trust. NOAH earned \$12,360 in management fees for the year ended December 31, 2014. There was \$7,210 due at December 31, 2014.

### 3. CERTIFICATE OF DEPOSIT

NOAH has a six-month certificate of deposit (CD) that matures on September 18, 2015, and accrues interest at 0.35% per annum. The fair value of the CD, which approximates the cost basis, was \$114,295 as of December 31, 2014. This CD is collateral for the NeighborWorks Salt Lake (NWSL) 2012 AHMI Fund, LLC note payable (see Note 5) and management intends to continue to renew the CD through the earliest of either the full payment of the note payable, or the maturity date of February 1, 2019. Accordingly, this CD is reflected as a non-current asset in the accompanying combined statement of financial position.

## NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2014

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### 4. RESTRICTED DEPOSITS

The balance of restricted deposits includes the following as of December 31, 2014:

#### Operating:

##### NOAH, Inc.:

Loan loss reserve	\$ 25,000
Restricted cash - current development projects	<u>473,668</u>

Sub-total NOAH, Inc.	498,668
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##### NOAH CDFI:

Revolving loan fund capital	<u>190,877</u>
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Total Operating	<u>689,545</u>
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#### Rental Programs:

##### Shalom Properties, Inc.:

Operating escrows	24,089
Tenant security deposit	29,360
Replacement reserve	<u>318,879</u>

Sub-total Shalom Properties, Inc.	<u>372,328</u>
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##### Paz Properties, Inc.:

Operating escrows	11,491
Tenant security deposit	30,783
Replacement reserve	<u>328,176</u>

Sub-total Paz Properties, Inc.	<u>370,450</u>
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##### Trinity House LLC:

Operating reserve	96,699
Tenant security deposit	5,763
Replacement reserve	<u>42,473</u>

Sub-total Trinity House LLC	<u>144,935</u>
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##### Siochain LP:

Operating reserve	23,561
Tenant security deposit	12,455
Replacement reserve	<u>6,991</u>

Sub-total Siochain LP	<u>43,007</u>
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##### Stevens Corner:

Operating reserve and escrow	197,384
Tenant security deposit	21,000
Replacement reserves	<u>23,272</u>

Sub-total Stevens Corner	<u>241,656</u>
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## NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2014

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### 4. RESTRICTED DEPOSITS (Continued)

#### Rental Programs: (Continued)

##### Benfield Farms:

Operating escrows	32,668
Tenant security deposit	<u>24,302</u>
Sub-total Benfield Farms	<u>56,970</u>
Total Rental Programs	<u>1,229,346</u>
Total restricted deposits	1,918,891
Less - current portion	<u>382,788</u>
Non-current portion	<u>\$ 1,536,103</u>

Operating escrows, special reserves, and other escrows with short-term purposes are classified as current in the accompanying combined statement of financial position. Replacement reserves, other reserves – holdback, and a portion of restricted loan funds are classified as non-current in the accompanying combined statement of financial position.

### 5. MORTGAGE AND NOTES PAYABLE

Mortgage and notes payable consist of the following as of December 31, 2014:

#### Operating

##### *NOAH, Inc.*

Note payable to NWSL 2012 AHMI Fund, LLC, bearing interest at 5.25%, with interest due quarterly through February 1, 2019, at which time the entire principal balance and accrued and unpaid interest are due and payable in full. This note is collateralized by a CD (see Note 3). Interest expense for the year ended December 31, 2014, was \$21,875. Accrued interest at December 31, 2014, was \$4,594. \$ 500,000

Note payable to Community Economic Development Assistance Corporation (CEDAC) for borrowings up to \$400,000, with an authorized amount of \$264,000 as of December 31, 2014, bearing interest at 3%. This note is due when funds are disbursed at construction closing of the Shoe Shop Place (see Note 7), Middleboro, Massachusetts. This is expected to happen in 2015 and is shown as a current liability in the accompanying combined statement of financial position. Accrued interest at December 31, 2014, was \$596. 148,641

Unsecured note payable to LISC, bearing interest at 5%, principal and interest are due monthly commencing in June 2014 through maturity date of June 1, 2022. Interest expense for the year ended December 31, 2014, was \$4,144. 141,710

Sub-total NOAH, Inc. 790,351

## NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2014

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### 5. MORTGAGE AND NOTES PAYABLE (Continued)

#### Operating (Continued)

##### *Peace Properties, Inc.*

Note payable to Community Housing Capital, Inc. for the acquisition of Coppersmith Village (see Note 7), bearing interest at 5.5%, with interest-only payments due monthly. The outstanding principal and interest will be due at the earliest of either the date of construction closing, or the maturity date, or an earlier date on which indebted comes due and payable by acceleration or otherwise. This note matures on May 22, 2018, and is secured by a mortgage on the Coppersmith Village Project (see Note 7), plus an assignment of rents and leases. Capitalized interest at December 31, 2014, was \$56,444.	1,625,000
Note payable to Cambridge Savings Bank, bearing interest at 4.75% through the maturity date of May 31, 2022. Payments of principal and interest of \$4,303 are due monthly based on a thirty-year amortization schedule. This note is secured by a first mortgage on the 143 Border Street building, plus an assignment of rents and leases. Interest expense was \$38,557 for the year ended December 31, 2014.	793,481
Note payable to NeighborWorks Capital Corporation (NCC), bearing interest at 5.5%, for the Coppersmith Village project (see Note 7), with interest due quarterly through June 30, 2018, at which time the entire principal balance and accrued and unpaid interest are due and payable in full. This note has maximum borrowings up to \$1,200,000 and is secured by the pledge in developer fees from the Sitkowski School Project. NOAH also fully guarantees the note. Capitalized interest at December 31, 2014, was \$32,740.	750,000
Notes payable to City of Boston, bearing interest at 4% through March 1, 2024. Interest-only payments are due in monthly installments at the rate of 4% through March 1, 2016. Thereafter, principal and interest are due in monthly installments through maturity. All outstanding principal and accrued and unpaid interest are due on March 1, 2024. This note is secured by a third mortgage on the 143 Border Street building. No interest payment was due and payable in 2014.	200,000
Note payable to LISC for the Border Falcon Condo Project, bearing interest at 4% per annum. Principal and interest are due in monthly installments of \$1,266, with principal due no later than the maturity date of September 2025. This note is secured by the ground lease (see Note 2). Interest expense was \$5,512 for the year ended December 31, 2014.	<u>132,579</u>
Sub-total Peace Properties, Inc.	<u>3,501,060</u>
Sub-total operating	<u>4,291,411</u>

## NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2014

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### 5. MORTGAGE AND NOTES PAYABLE (Continued)

#### Rental Programs

##### *Shalom Properties, Inc.*

Note payable to Massachusetts Housing Partnership (MHP), bearing interest at 3.83% per annum, due in monthly installments of \$4,606 based on a thirty-year amortization schedule. This note is due and payable on July 24, 2019, and is secured by a mortgage on the properties and assignment of leases and rents. This note has an additional five-year option through July 2024. Interest expense was \$35,372 for the year ended December 31, 2014. 979,149

Notes payable to CCO Mortgage, a division of RBS Citizens, bearing interest at 5.375%, due in monthly installments of principal and interest of \$2,772 through December 1, 2033. These notes are secured by a mortgage on the properties. Interest expense was \$21,592 for the year ended December 31, 2014. 395,725

Non-interest bearing note payable to MHP, due and payable on October 6, 2017. This note is secured by a mortgage on the properties. 245,339

Non-interest bearing note payable to the City of Boston, due and payable on October 6, 2017. This note is secured by a mortgage on the properties. 245,339

Sub-total Shalom Properties, Inc. 1,865,552

##### *Paz Properties, Inc.*

Note payable to City of Boston for improvements at 357-363 Meridian and Eutaw Street, bearing interest at 5% per annum, compounded annually, originally due on June 23, 2012. Principal and interest are due in annual installments equal to the lesser of 100% of certain cash flow achieved as defined in the note agreement or the amount due or payable based upon amortization of this note on a fifteen-year direct reduction basis, plus any amount that may be due and unpaid from a prior year. This note is secured by the Paz building. Management is in negotiation for an extension or a refinance of the note's terms. As such, it is presented as a long-term liability in the accompanying combined financial statements. Interest expense for the year ended December 31, 2014, was \$10,819. 727,245

## NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2014

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### 5. MORTGAGE AND NOTES PAYABLE (Continued)

#### Rental Programs (Continued)

##### *Paz Properties, Inc.* (Continued)

Note payable to MHP, bearing interest at 5.8% per annum for the first five-year term ending on August 9, 2015. Thereafter, the interest rate for the next five-year term ending on August 9, 2020, will be the prevailing rate in effect under the agreement on August 9, 2015. Principal and interest are due in monthly installments of \$3,520 beginning on October 1, 2010, through August 9, 2015. During the second five-year term, principal and interest will be due in monthly installments based on a thirty-year amortization. Interest expense for the year ended December 31, 2014, was \$33,017.	564,209
Non-interest bearing note payable to MHP, due and payable on October 3, 2031, secured by second mortgages on 115 and 109 Everett Street and 376 Summer Street.	561,316
Non-interest bearing note payable to MHP, due and payable on October 3, 2031, secured by a second mortgage on 115 Everett Street.	452,369
Non-interest bearing note payable to MHP, due and payable on October 3, 2021, secured by a second mortgage on 115 Everett Street.	400,000
Note payable to MHP for rehabilitation of 115 Everett Street, original amount of note was \$412,200, bearing interest at 6.27% per annum, due and payable on October 3, 2021. Principal and interest are due in monthly installments of \$2,328 based on a thirty-year amortization schedule. This note is secured by a first mortgage on 115 Everett Street. Interest expense for the year ended December 31, 2014, was \$20,543.	<u>321,977</u>
Sub-total Paz Properties, Inc.	<u>3,027,116</u>

##### *Siochain Properties LP*

A mortgage note, which originated on July 9, 2002, is held by Boston Community Loan Fund (BCLF) in the original amount of \$232,597. Monthly installments of principal and interest are based on a twenty-five year amortization of the original note balance. The note has a stated interest rate of 7% and principal and interest are due in monthly installments of \$1,634 through July 2022, at which time a balloon payment of \$102,143 is due in full. The note is collateralized (first mortgage) by investment in real estate. Interest expense was \$12,609 for the year ended December 31, 2014.	173,872
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## NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2014

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### 5. MORTGAGE AND NOTES PAYABLE (Continued)

#### Rental Programs (Continued)

##### *Siochain Properties LP* (Continued)

A mortgage note, which originated on July 9, 2002, is held by LISC in the original amount of \$161,791. Monthly installments of principal and interest are based on a twenty-year amortization of the original note balance. The note has a stated interest rate of 3.5% and is payable by Siochain in the amount of \$938 each month through July 2022. The note is collateralized (second mortgage) by investment in real estate. Interest expense was \$2,809 for the year ended December 31, 2014.

74,562

Sub-total Siochain Properties LP

248,434

##### *Stevens Corner LP*

A mortgage note, which originated on August 28, 2012, is held by MHP in the original amount of \$1,419,000. Principal and interest are due in monthly installments, with interest at 7.04%, amortized over a thirty-year period through August 23, 2032. This note is secured by a first mortgage on the property, and an assignment of leases and rents. Interest expense was \$98,130 for the year ended December 31, 2014.

1,385,346

Note payable to NOAH, bearing interest at 5% through the maturity date of August 15, 2041. Principal and interest are due and payable solely to the extent of available cash flow as set forth in the operating agreement. The note may be prepaid in whole or in part at any time without penalty. The note is secured by a third mortgage on the property. Deferred interest expense and payable on this note was \$25,867 as of December 31, 2014. There was a payment of \$22,661 of principal and \$29,961 of interest in 2014 based on 2013 cash flow. There is \$25,300 of interest due in 2015 based on 2014 cash flow.

511,179

Sub-total Stevens Corner LP

1,896,525

##### *Sitkowski Limited Partnership*

Construction note payable to RBS Citizens National Association up to \$10,100,000, bearing interest at the LIBOR Advantage Rate (0.01695% at December 31, 2014) plus 225 points, with a maximum rate of 5.5%. Interest-only payments are due monthly. This note matures on June 30, 2016, and is secured by a first mortgage on the Sitkowski School Project (see Note 7). Capitalized interest at December 31, 2014, was \$44,616.

7,486,041

## NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2014

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### 5. MORTGAGE AND NOTES PAYABLE (Continued)

#### Rental Programs (Continued)

##### *Benfield Farms Limited Partnership*

Construction note payable to Bank of America up to \$6,650,000, bearing interest at the London Interbank Offered Rate (LIBOR) (0.56% at December 31, 2014), plus 3.25%, with a minimum interest rate of 5% annually. Interest only is due and payable monthly in arrears through March 1, 2015. Permanent financing occurred on March 15, 2015. At this time, the construction note was paid down to the balance of \$1,450,000 and the note was assigned to MHP. After assignment, the note now bears interest at 4.32% and matures on March 31, 2034. Monthly payments of principal and interest of approximately \$7,193 are due in arrears based on a thirty-year amortization schedule, with a balloon payment of \$759,110 due at maturity. This note is secured by a first mortgage on the property, the reserve accounts (see Note 3), and an assignment of leases and rents. Interest expense for the year ended December 31, 2014, was \$147,442. Accrued interest on this note totaled \$133,599 as of December 31, 2014. NOAH is the guarantor on this note.

2,509,563

Sub-total rental programs

17,033,231

Total

21,324,642

Less - current portion

281,649

Less - eliminations

511,179

\$ 20,531,814

Maturities of mortgage and notes payable over the next five years are as follows:

2015	\$ 281,649
2016	\$ 7,631,439
2017	\$ 642,205
2018	\$ 2,535,831
2019	\$ 1,550,549
Thereafter	\$ 8,682,969

The mortgage and notes payable agreements contain various covenants with which NOAH and Affiliates must comply. NOAH and Affiliates were in compliance with these covenants at December 31, 2014.

### 6. CONTINGENT LOANS AND ADVANCES

NOAH and Affiliates have received several contingent loans from various organizations to help in the development of projects. These loans and advances generally are not required to be repaid unless the projects fail to maintain their status as low-income housing or default on other covenants as described in the agreements. It is the intention of the Board of Directors and management of NOAH to maintain these properties as low-income housing and to meet other conditions.

## NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2014

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### 6. CONTINGENT LOANS AND ADVANCES (Continued)

Contingent loans and advances are as follows as of December 31, 2014:

#### Rental Programs

##### *Shalom Properties, Inc.*

Note payable to the City of Boston for improvements at 440 Meridian Street, bearing interest at 5% per annum, due in December 2022. \$ 164,000

Four notes payable with the City of Boston through its lead paint abatement program. These notes are non-interest bearing, mature at various dates during 2018, and are due and payable on sale or transfer of property. If conditions are met for a period of five years, the entire amounts will be forgiven. 33,325

Sub-total Shalom Properties, Inc. 197,325

##### *Paz Properties, Inc.*

Note payable to the City of Boston for improvements at 49-55 Putnam Street, bearing interest at 1% per annum, compounded annually, due August 10, 2070. Annual payments of principal and interest are due within ninety days of the close of the fiscal year-end and equal amounts set forth in the note agreement. This note is secured by the 49-55 Putnam Street. 438,637

Note payable to the City of Boston for improvements at 108-110 White Street, bearing interest at 1% per annum, compounded annually, due August 10, 2070. Annual payments of principal and interest are due within ninety days of the close of the fiscal year-end and equal amounts set forth in the note agreement. This note is secured by a second mortgage on 108-110 White Street and an assignment of rents and leases. Payments are due based on cash flows as outlined in the agreement. There were no amounts due as of December 31, 2014. 343,339

Note payable to the City of Boston for improvements at 449-451 Saratoga Street, bearing interest at 1% per annum compounded annually, due August 10, 2070. Annual payments of principal and interest are due within ninety days of the close of the fiscal year-end and equal amounts set forth in the note agreement. This note is secured by a second mortgage on 449-451 Saratoga Street and an assignment of rents and leases. Payments are due based on cash flows as outlined in the agreement. There were no amounts due as of December 31, 2014. 329,895

Note payable to the City of Boston through its lead paint abatement program. The note is non-interest bearing, maturing on August 21, 2017, and is due and payable on sale or transfer of property. If certain conditions are met for a period of five years, the entire amount will be forgiven. 13,951

Sub-total Paz Properties, Inc. 1,125,822

## NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2014

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### 6. CONTINGENT LOANS AND ADVANCES (Continued)

#### Rental Programs (Continued)

##### *Trinity House LLC*

A non-recourse mortgage note payable to the City of Boston, Public Facilities Department in the original amount of \$873,515. The note accrues interest at 1% per annum, compounded annually. Accrued interest totaled \$60,198 as of December 31, 2014. Principal and interest are due on May 19, 2030, or upon acceleration of the note under specified conditions. The note is secured by a first mortgage on 406 Meridian Street and an assignment of leases and rents. 862,094

Second mortgage note, which originated on August 6, 1992, is held by the City of Boston, Public Facilities Department as agent for the Neighborhood Housing Trust Fund, in the original amount of \$418,170. The note bears simple-interest at 1% per annum. Interest-only is due annually on each of the anniversary date of the note based on net available cash flows through August, 2022. The City of Boston has deferred payments due on the note until maturity. Principal and accrued and unpaid interest are due on the earlier of August 6, 2022 or if the property fails to continue to provide affordable housing to low and moderate-income families. Accrued interest totaled \$93,739 as of December 31, 2014. The note is secured by a mortgage on 406 Meridian Street and an assignment of leases. 418,170

Sub-total Trinity House LLC 1,280,264

##### *Siochain Properties LP*

A promissory note, which originated on March 15, 2001, is held by the Commonwealth of Massachusetts, Department of Housing and Community Development (DHCD) in the amount of \$380,000. The note accrues interest at 5.58% per annum, compounded annually. Accrued interest totaled \$402,269 as of December 31, 2014. Final payment is due in March 2031. The note is collateralized by investment in real estate. 380,000

A promissory note, which originated on August 22, 2000, is held by the City of Boston, Public Facilities Department in the amount of \$380,000. The note accrues interest at 7.6% per annum, compounded annually. Payments are due annually beginning October 1, 2003, in an amount equal to 50% of Siochain's cash flow. No amounts are due as of December 31, 2014. Accrued interest totaled \$685,398 as of December 31, 2014. Final payment is due in October 2030. The note is collateralized by investment in real estate. 380,000

Sub-total Siochain Properties LP 760,000

## NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2014

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### 6. CONTINGENT LOANS AND ADVANCES (Continued)

#### Rental Programs (Continued)

##### *Stevens Corner Limited Partnership*

3.00% note payable to the Town of North Andover. Accrued interest and principal are due on August 14, 2041. Stevens Corner has the option to extend the maturity date of the note for up to an additional forty years provided Stevens Corner continues to comply with certain affordable housing restrictions as set forth in the affordable housing restriction agreement. The note is secured by a shared second mortgage on the property. Accrued interest totaled \$158,301 as of December 31, 2014.	1,338,580
Non-interest bearing note payable to DHCD under the Affordable Housing Trust Fund Statute (AHTF). This note is due on August 14, 2041, and is secured by a shared second mortgage on the property. Stevens Corner has the option to extend the maturity date of the note for up to an additional forty years provided Stevens Corner continues to comply with certain affordable housing restrictions as set forth in the affordable housing restriction agreement.	985,000
3.00% note payable to DHCD under the Housing Stabilization Fund Statute (HSF). This note is due on August 14, 2061, and is secured by a shared second mortgage on the property. Stevens Corner has the option to extend the maturity date of the note for up to an additional forty years provided Stevens Corner continues to comply with certain affordable housing restrictions as set forth in the affordable housing restriction agreement. There is no payment due in 2015 based on 2014 cash flows. Accrued interest totaled \$88,250 as of December 31, 2014.	668,772
Non-interest bearing note payable to CEDAC under the Community-Based Housing Fund Program (CBH). Principal is due and payable annually based on certain levels of cash flows being attained as defined in the agreement or fully at August 14, 2014. Stevens Corner has the option to extend the maturity date of the note for an additional ten years provided Stevens Corner continues to comply with certain affordable housing restrictions as set forth in the affordable housing restriction agreement. This note is secured by a shared second mortgage on the property. There is no payment due in 2015 based on 2014 cash flows.	352,138

## NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2014

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### 6. CONTINGENT LOANS AND ADVANCES (Continued)

#### Rental Programs (Continued)

##### *Stevens Corner Limited Partnership (Continued)*

3.00% note payable to the North Shore HOME Consortium. Accrued interest and principal are due on August 14, 2041. Stevens Corner has the option to extend the maturity date of the note for up to an additional forty years provided Stevens Corner continues to comply with certain affordable housing restrictions as set forth in the affordable housing restriction agreement. This note is secured by a shared second mortgage on the property. Accrued interest totaled \$22,280 as of December 31, 2014. 175,000

3.00% note payable to the Town of Andover through the North Shore HOME Consortium. Accrued interest and principal are due on August 14, 2041. Stevens Corner has the option to extend the maturity date of the note for up to an additional forty years provided Stevens Corner continues to comply with certain affordable housing restrictions as set forth in the affordable housing restriction agreement. This note is secured by a shared second mortgage on the property. Accrued interest totaled \$7,734 as of December 31, 2014. 75,000

Sub-total Stevens Corner Limited Partnership 3,594,490

##### *Benfield Farms Limited Partnership*

Non-interest bearing note payable to DHCD - AHTF. The note is due on January 5, 2044, and is secured by a shared second mortgage on the property and an assignment of leases and rents. Benfield has the option to extend the maturity date of the note for up to an additional thirty years provided Benfield continues to comply with certain affordable housing restrictions as set forth in the affordable housing restriction agreement. 850,000

Non-interest bearing note payable to DHCD - HSF. This note is due on January 5, 2064, and is secured by a shared second mortgage on the property and an assignment of leases and rents. Benfield has the option to extend the maturity date of the note for up to an additional fifty years provided Benfield continues to comply with certain affordable housing restrictions as set forth in the affordable housing restriction agreement. 550,000

Non-interest bearing note payable to DHCD - HOME. This note is due on January 5, 2044, and is secured by a shared second mortgage on the property and an assignment of leases and rents. Benfield has the option to extend the maturity date of the note up to an additional thirty years provided Benfield continues to comply with certain affordable housing restrictions as set forth in the affordable housing restriction agreement. 550,000

## NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2014

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### 6. CONTINGENT LOANS AND ADVANCES (Continued)

#### Rental Programs (Continued)

##### *Benfield Farms Limited Partnership (Continued)*

Non-interest bearing note payable to the Town of Carlisle Affordable Housing Trust. This note is due on January 5, 2044, and is secured by a shared second mortgage on the property and an assignment of leases and rents. Benfield has the option to extend the maturity date of the note up to an additional thirty years provided Benfield continues to comply with certain affordable housing restrictions as set forth in the affordable housing restriction agreement.

425,000

Sub-total Benfield Farms Limited Partnership

2,375,000

##### *Sitkowski Limited Partnership*

Bridge notes payable to MHEF XVIII LLC and MHEF XX LLC (the Investor Limited Partners) up to \$4,965,549. These notes will convert to a capital contribution upon the admission of the Investor Limited Partners. Due to the fact these bridge notes will convert to equity, it is classified as contingent debt as of December 31, 2014.

4,122,342

Note payable to DHCD - AHTF, bearing simple interest at 1% per annum, due and payable on February 28, 2044. This note is secured by a shared second mortgage on the property and an assignment of leases and rents. Sitkowski has the option to extend the maturity date of the note for a period up to the original term in order to maintain the affordability of the property.

1,000,000

Note payable to DHCD - HOME for borrowings up to \$715,000, bearing simple interest at 2% per annum, due and payable on February 28, 2044. This note is secured by a shared second mortgage on the property and an assignment of leases and rents. Sitkowski has the option to extend the maturity date of the note for a period up to the original term in order to maintain the affordability of the property.

633,050

Non-interest bearing note payable to DHCD - HSF with borrowings for up to \$1,000,000. This note is due on February 28, 2064, and is secured by a shared second mortgage on the property and an assignment of leases and rents. Sitkowski has the option to extend the maturity date of the note for a period up to the original term in order to maintain the affordability of the property.

400,000

Sub-total Sitkowski Limited Partnership

6,155,392

Total

\$ 15,488,293

## NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2014

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### 7. PROJECTS UNDER DEVELOPMENT

Projects under development consist of projects still under development and in the pre-development stage. All costs related to these projects have been capitalized and include the acquisition price and pre-development and developments costs. Once these projects are complete, the developments will become rental properties.

The following projects were under development during the year ended December 31, 2014:

#### **A.J. Sitkowski School – Webster, MA**

The A.J. Sitkowski School project is the development of sixty-six (66) housing units for senior independent living located in Webster, Massachusetts. The project will consist of fourteen (14) two-bedroom units and forty-six (46) one-bedroom units, and a new senior center. The project will use LIHTC and Federal and state Historic Tax Credits. Permanent financing will be provided by MassHousing and Citizens Bank provided the construction loan (see Notes 5 and 6). The project started construction in January 2014 and is expected to be completed in 2015.

#### **Coppersmith Village – East Boston, MA**

The Coppersmith Village project is a 56,000 square foot site located at 75 - 109 Border Street, East Boston, MA. Peace Properties purchased the site for \$1,625,000 in May 2014. The project will consist of seventy-one (71) housing units and some commercial/retail space.

#### **Shoe Shop Place – Middleboro, MA**

NOAH is partnering with The Neighborhood Corporation (TNC). The project involves the purchase of a dilapidated former shoe factory to convert it into an affordable rental development. The reuse will create twenty-five (25) new affordable units all at or below 60% of area median income. The project will receive \$1,400,000 of Massachusetts Historic Tax Credits. The Greater Attleboro/Taunton Home Consortium has committed \$100,000 of Local HOME funds to the project and the Town of Middleboro contributed \$40,000 of CPA funds.

Projects under development as of December 31, 2014, consist of:

A.J. Sitkowski School	\$ 16,553,747
Coppersmith Village	2,336,239
Shoe Shop Place	414,614
Other	<u>43,311</u>
Total projects under development	<u>\$ 19,347,911</u>



**NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES**

Notes to Combined Financial Statements  
December 31, 2014

**8. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31, 2014:

	<u>Operating</u>	<u>Rental Programs</u>	<u>Total</u>
Buildings and improvements	\$ 2,564,200	\$ 30,220,588	\$ 32,784,788
Land and improvements	198,946	710,366	909,312
Office furniture, fixtures and equipment	202,199	190,198	392,397
Rental furniture and equipment	23,331	-	23,331
Leasehold improvements	<u>18,598</u>	<u>-</u>	<u>18,598</u>
	3,007,274	31,121,152	34,128,426
Less - accumulated depreciation	813,299	5,367,436	6,180,735
Less - elimination	<u>-</u>	<u>-</u>	<u>165,305</u>
	<u>\$ 2,193,975</u>	<u>\$ 25,753,716</u>	<u>\$ 27,782,386</u>

There are restrictions imposed by lenders on the use and sale of certain land, buildings and building improvements (see Notes 5 and 6).

**9. LOANS RECEIVABLE**

NOAH CDFI has outstanding loans receivable from local residents for purchase and/or rehabilitation of low to moderate-income housing of \$305,820, less an allowance for doubtful accounts of \$149,451 as of December 31, 2014. In addition, NOAH CDFI has a loan outstanding for \$400,072 from Peace Properties. These amounts are included in contracts, loans and other receivables in the accompanying combined financial statements. Interest rates range from 5% to 6.5% and maturity dates range from ten to thirty years. Loans are secured by a second or third lien on the property purchased or improved.

Loans receivable, net of allowances for doubtful accounts as of December 31, 2014:

<u>Funding Source</u>	<u>Number of Loans</u>	<u>Loans Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net</u>
NW (see Note 1)	6	\$ 305,808	\$ 149,451	\$ 156,357
Other - inter-company	<u>1</u>	<u>400,072</u>	<u>-</u>	<u>400,072</u>
Subtotal	<u>7</u>	<u>\$ 705,880</u>	<u>\$ 149,451</u>	556,429
Less - elimination				<u>400,072</u>
Total				<u>\$ 156,357</u>

Maturities of loans receivable over the next five years are as follows:

2015	\$ 201,031
2016	\$ 210,099
2017	\$ 5,964
2018	\$ 6,262
2019	\$ 6,575

## NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2014

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### 10. COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS

As discussed in Notes 1 and 2, NOAH has acted as sponsor and developer for various low-income and affordable housing developments. Most of these developments have received various forms of funding through NOAH or directly from Federal, state, and local sources. The terms of these funding agreements generally require that the projects maintain affordable housing and low-income eligibility status, as defined. If such status is not maintained, NOAH may be obligated to remedy any defaults in the requirements and may be liable to repay certain amounts to the funders.

In addition, NOAH, as project sponsor, in some cases, has agreed to advance funds to the partnerships as a guarantor of the General Partners' obligation to fund operating deficits, subsidy contract shortfalls, development cost overruns, payments for reduced tax benefits to limited partner investors, and other circumstances affecting the partnerships, as defined in the partnership agreements. As of the date of this report, NOAH is obligated up to \$242,000 for Stevens Corner and \$175,000 for Benfield (see Note 2).

NOAH has been notified of the following financing commitments as of December 31, 2014, and subsequent to year-end:

- 5% note payable to Massachusetts Housing Finance Agency (MHFA) for Sitkowski LP. The note allows for borrowings up to \$1,750,000.
- 3.32% sponsor loan from NOAH funded by State LIHTC tax credit equity for Sitkowski LP. The note allows for borrowings up to \$2,700,000.
- 3.32% sponsor loan from NOAH funded by State historic tax credit equity for Sitkowski LP. The note allows for borrowings up to \$1,691,000.
- 2% note payable to MassHousing for Sitkowski LP. The note allows for borrowings up to \$2,006,047.
- 1% note payable to NCC for the Coppersmith Village project. The note allows for borrowings up to \$250,000.
- Note Payable to City of Boston Department of Neighborhood Development (DND) for up to \$1,058,025 for the Coppersmith Village Project.
- Bond financing for up to \$12,000,000 from Massachusetts Development Finance Agency for the Coppersmith Village Project.

### 11. RETIREMENT PLAN

NOAH maintains a qualified salary reduction 403(b) retirement plan. The salary reduction plan covers substantially all employees who have met the eligibility requirements. NOAH does not contribute to the plan.

**NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES**

Supplementary Combining Statement of Financial Position - Operating  
December 31, 2014

Assets	NOAH, Inc.	Peace Properties	NOAH CDFI	Eliminations	Total
Current Assets:					
Cash - operating	\$ 1,286,735	\$ 36,518	\$ 105,110	\$ -	\$ 1,428,363
Cash - development	103,575	309,729	-	-	413,304
Current portion of restricted deposits	-	-	190,877	-	190,877
Current portion of contracts, loans and other receivables	200,356	-	201,031	(195,647)	205,740
Current portion of due from affiliates	785,566	-	-	(55,350)	730,216
Prepaid expenses and other	3,802	913	2,083	-	6,798
Total current assets	<u>2,380,034</u>	<u>347,160</u>	<u>499,101</u>	<u>(250,997)</u>	<u>2,975,298</u>
Certificate of Deposit	114,295	-	-	-	114,295
Restricted Deposits, net of current portion	498,668	-	-	-	498,668
Contracts, Loan and Other Receivables, net of current portion and allowance for doubtful accounts of \$877,224	-	-	355,398	(204,734)	150,664
Due from Affiliates, net of current portion and allowance for doubtful accounts of \$546,707	517,018	-	88,568	(423,443)	182,143
Capitalized Costs, net	4,250	8,949	-	-	13,199
Projects under Development	-	2,794,164	-	-	2,794,164
Property and Equipment, net	15,832	2,178,143	-	-	2,193,975
Total assets	<u>\$ 3,530,097</u>	<u>\$ 5,328,416</u>	<u>\$ 943,067</u>	<u>\$ (879,174)</u>	<u>\$ 8,922,406</u>
<b>Liabilities and Net Assets</b>					
Current Liabilities:					
Current portion of mortgages and notes payable	\$ 164,638	\$ 24,223	\$ -	\$ -	\$ 188,861
Accrued interest	10,077	-	-	-	10,077
Accounts payable and other liabilities	156,232	82,839	3,100	-	242,171
Current portion of due to affiliates	-	250,997	-	(250,997)	-
Total current liabilities	<u>330,947</u>	<u>358,059</u>	<u>3,100</u>	<u>(250,997)</u>	<u>441,109</u>
Long-Term Liabilities:					
Mortgages and notes payable, net of current portion	625,713	3,476,837	-	-	4,102,550
Due to affiliates, net of current portion	45,000	569,802	186,234	(735,626)	65,410
Construction payable	-	71,527	-	-	71,527
Total long-term liabilities	<u>670,713</u>	<u>4,118,166</u>	<u>186,234</u>	<u>(735,626)</u>	<u>4,239,487</u>
Total liabilities	<u>1,001,660</u>	<u>4,476,225</u>	<u>189,334</u>	<u>(986,623)</u>	<u>4,680,596</u>
Net Assets:					
Unrestricted:					
Operating	1,542,179	(45,408)	641,128	-	2,137,899
Development	398,205	289,093	-	-	687,298
Property and equipment	20,082	491,230	-	(509,125)	2,187
Total unrestricted	<u>1,960,466</u>	<u>734,915</u>	<u>641,128</u>	<u>(509,125)</u>	<u>2,827,384</u>
Temporarily restricted	508,527	-	-	-	508,527
Permanently restricted - NW capital funds	59,444	117,276	112,605	616,574	905,899
Total net assets	<u>2,528,437</u>	<u>852,191</u>	<u>753,733</u>	<u>107,449</u>	<u>4,241,810</u>
Total liabilities and net assets	<u>\$ 3,530,097</u>	<u>\$ 5,328,416</u>	<u>\$ 943,067</u>	<u>\$ (879,174)</u>	<u>\$ 8,922,406</u>

**NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES**

 Supplementary Combining Statement of Activities - Operating  
 For the Year Ended December 31, 2014

	<u>NOAH, Inc.</u>	<u>Peace Properties</u>	<u>NOAH CDFI</u>	<u>Eliminations</u>	<u>Total</u>
<b>Unrestricted Net Assets:</b>					
Operating revenues:					
Rental income	\$ 34,110	\$ 108,945	\$ -	\$ (92,993)	\$ 50,062
Project management and developer fees, net	855,989	-	-	-	855,989
Contracts, grants and other fees	790,736	-	-	-	790,736
Interest income and other	77,913	11,445	7,085	-	96,443
Property management fees	351,389	-	-	-	351,389
Net assets released from purpose restrictions	647,384	-	-	-	647,384
	<u>2,757,521</u>	<u>120,390</u>	<u>7,085</u>	<u>(92,993)</u>	<u>2,792,003</u>
Total operating revenues					
Operating expenses:					
Central Administration	457,148	-	-	(15,406)	441,742
Senior Home Repair	223,086	-	-	(7,009)	216,077
Housing Counseling	50,347	-	-	(2,654)	47,693
Community Services	282,974	-	-	(13,530)	269,444
Homebuyer Services Program	622,771	-	-	(22,706)	600,065
Real Estate and Economic Development	275,164	101,173	-	(15,452)	360,885
Property Management	345,567	-	-	(16,236)	329,331
NOAH CDFI	-	-	14,412	-	14,412
Depreciation and amortization	19,462	56,571	-	-	76,033
	<u>2,276,519</u>	<u>157,744</u>	<u>14,412</u>	<u>(92,993)</u>	<u>2,355,682</u>
Total operating expenses					
Changes in unrestricted net assets	<u>481,002</u>	<u>(37,354)</u>	<u>(7,327)</u>	<u>-</u>	<u>436,321</u>
<b>Temporarily Restricted Net Assets:</b>					
Grants and contributions	608,203	-	-	-	608,203
Net assets released from purpose restrictions	(647,384)	-	-	-	(647,384)
	<u>(39,181)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(39,181)</u>
Changes in temporarily restricted net assets					
<b>Permanently Restricted Net Assets:</b>					
Grants and contributions	75,000	-	-	-	75,000
Provision from valuation allowance on NW Fund investments	(75,000)	-	-	-	(75,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in permanently restricted net assets					
Changes in net assets	<u>\$ 441,821</u>	<u>\$ (37,354)</u>	<u>\$ (7,327)</u>	<u>\$ -</u>	<u>\$ 397,140</u>

**NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES**

Supplementary Combining Statement of Changes in Net Assets - Operating  
For the Year Ended December 31, 2014

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	<u>NOAH, Inc.</u>	<u>Peace Properties</u>	<u>NOAH CDFI</u>	<u>Eliminations</u>	<u>Total</u>
<b>Net Assets</b> , December 31, 2013	\$ 2,086,616	\$ 889,545	\$ 761,060	\$ 107,449	\$ 3,844,670
Changes in net assets	<u>441,821</u>	<u>(37,354)</u>	<u>(7,327)</u>	<u>-</u>	<u>397,140</u>
<b>Net Assets</b> , December 31, 2014	<u>\$ 2,528,437</u>	<u>\$ 852,191</u>	<u>\$ 753,733</u>	<u>\$ 107,449</u>	<u>\$ 4,241,810</u>

**NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES**

 Supplementary Combining Statement of Cash Flows - Operating  
 For the Year Ended December 31, 2014

	<u>NOAH, Inc.</u>	<u>Peace Properties</u>	<u>NOAH CDFI</u>	<u>Eliminations</u>	<u>Total</u>
<b>Cash Flows from Operating Activities:</b>					
Changes in net assets	\$ 441,821	\$ (37,354)	\$ (7,327)	\$ -	\$ 397,140
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:					
Depreciation and amortization	19,462	56,571	-	-	76,033
Bad debts	2,935	-	-	-	2,935
Changes in operating assets and liabilities:					
Contracts, loans and other receivables	8,697	18,291	119,185	(102,193)	43,980
Due from affiliates	371,201	-	24,793	(840,192)	(444,198)
Prepaid expenses and other	(95)	(18)	-	-	(113)
Accrued interest	(30,416)	-	-	-	(30,416)
Accounts payable and other liabilities	(11,684)	(26,408)	1,205	-	(36,887)
Due to affiliates	(18,291)	(559,140)	-	577,431	-
Net cash provided by (used in) operating activities	<u>783,630</u>	<u>(548,058)</u>	<u>137,856</u>	<u>(364,954)</u>	<u>8,474</u>
<b>Cash Flows from Investing Activities:</b>					
Increase in projects under development	-	(977,632)	-	364,954	(612,678)
Increase in restricted deposits	(453,131)	-	(108,820)	-	(561,951)
Purchase of certificate of deposit	(114,295)	-	-	-	(114,295)
Financing fees	(5,000)	-	-	-	(5,000)
Net cash used in investing activities	<u>(572,426)</u>	<u>(977,632)</u>	<u>(108,820)</u>	<u>364,954</u>	<u>(1,293,924)</u>
<b>Cash Flows from Financing Activities:</b>					
Principal payments of mortgages and notes payable	(334,877)	(672,755)	-	-	(1,007,632)
Proceeds from mortgages and notes payable	648,641	2,375,000	-	-	3,023,641
Principal payments of capital lease obligation	(18,539)	-	-	-	(18,539)
Net cash provided by financing activities	<u>295,225</u>	<u>1,702,245</u>	<u>-</u>	<u>-</u>	<u>1,997,470</u>
<b>Net Change in Cash</b>	<u>506,429</u>	<u>176,555</u>	<u>29,036</u>	<u>-</u>	<u>712,020</u>
<b>Cash:</b>					
Beginning of year	<u>883,881</u>	<u>169,692</u>	<u>76,074</u>	<u>-</u>	<u>1,129,647</u>
End of year	<u>\$ 1,390,310</u>	<u>\$ 346,247</u>	<u>\$ 105,110</u>	<u>\$ -</u>	<u>\$ 1,841,667</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>					
Cash paid for interest	<u>\$ 21,425</u>	<u>\$ 44,069</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,494</u>
Projects under development financed with accounts payable	<u>\$ -</u>	<u>\$ 71,527</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,527</u>

**NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES**

Supplementary Combining Statement of Financial Position - Rental Programs  
December 31, 2014

Assets	Non-Syndicated Programs				Syndicated Programs			Total
	Shalom Properties, Inc.	Paz Properties, Inc.	Trinity House LLC	Siochain Properties LP	Stevens Corner LP	Benfield Farms LP	Sitkowski LP	
<b>Current Assets:</b>								
Cash - operating	\$ 37,698	\$ 212,976	\$ 87,914	\$ 43,960	\$ 42,879	\$ 5,034	\$ 2,000	\$ 432,461
Cash - development	-	-	-	-	-	106,547	88,235	194,782
Current portion of restricted deposits	53,449	42,274	5,763	12,455	21,000	56,970	-	191,911
Contracts, loans and other receivables	14,286	15,302	12,764	10,831	13,852	3,076	-	70,111
Prepaid expenses and other	28,343	31,038	11,876	1,803	5,801	4,961	-	83,822
Total current assets	133,776	301,590	118,317	69,049	83,532	176,588	90,235	973,087
Restricted Deposits, net of current portion	318,879	328,176	139,172	30,552	220,656	-	-	1,037,435
Capitalized Costs, net	50,716	-	-	-	86,800	99,998	-	237,514
Projects under Development	-	-	-	-	-	-	16,553,747	16,553,747
Property and Equipment, net	2,025,709	3,160,077	1,201,202	1,622,184	8,725,967	9,018,577	-	25,753,716
Total assets	\$ 2,529,080	\$ 3,789,843	\$ 1,458,691	\$ 1,721,785	\$ 9,116,955	\$ 9,295,163	\$ 16,643,982	\$ 44,555,499
<b>Liabilities and Net Assets</b>								
<b>Current Liabilities:</b>								
Current portion of mortgages and notes payable	\$ 30,075	\$ 11,050	\$ -	\$ 16,316	\$ 17,335	\$ 18,012	\$ -	\$ 92,788
Current portion of accrued interest	-	-	-	-	25,867	133,599	-	159,466
Accounts payable and other liabilities	101,304	49,146	28,148	23,524	42,877	101,384	-	346,383
Current portion of developer fee payable	-	-	-	-	-	613,778	96,500	710,278
Deferred revenue	-	523	506	228	4,434	2,327	-	8,018
Current portion of due to affiliates	-	-	-	-	19,938	-	-	19,938
Total current liabilities	131,379	60,719	28,654	40,068	110,451	869,100	96,500	1,336,871
<b>Long-Term Liabilities:</b>								
Mortgages and notes payable, net of current portion	1,835,477	3,016,066	-	232,118	1,879,190	2,491,551	7,486,041	16,940,443
Due to affiliates, net of current portion	75,000	-	94,626	76,201	-	5,000	176,944	427,771
Construction payable	-	-	-	-	-	-	2,731,160	2,731,160
Accrued interest, net of current portion	-	-	153,937	1,087,667	276,565	-	-	1,518,169
Developer fee payable, net of current portion	-	-	-	111,593	-	100,000	-	211,593
Contingent loans and advances	197,325	1,125,822	1,280,264	760,000	3,594,490	2,375,000	6,155,392	15,488,293
Total long-term liabilities	2,107,802	4,141,888	1,528,827	2,267,579	5,750,245	4,971,551	16,549,537	37,317,429
Total liabilities	2,239,181	4,202,607	1,557,481	2,307,647	5,860,696	5,840,651	16,646,037	38,654,300
<b>Net Assets:</b>								
<b>Unrestricted:</b>								
Operating	32,472	251,921	89,663	45,297	(9,584)	(60,722)	-	349,047
Development	-	-	-	-	-	-	(2,055)	(2,055)
Property and equipment	57,427	(871,793)	(188,453)	(631,159)	3,265,843	3,515,234	-	5,147,099
Total unrestricted	89,899	(619,872)	(98,790)	(585,862)	3,256,259	3,454,512	(2,055)	5,494,091
Temporarily restricted	100,000	-	-	-	-	-	-	100,000
Permanently restricted - NW capital funds	100,000	207,108	-	-	-	-	-	307,108
Total net assets	289,899	(412,764)	(98,790)	(585,862)	3,256,259	3,454,512	(2,055)	5,901,199
Total liabilities and net assets	\$ 2,529,080	\$ 3,789,843	\$ 1,458,691	\$ 1,721,785	\$ 9,116,955	\$ 9,295,163	\$ 16,643,982	\$ 44,555,499

**NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES**

 Supplementary Combining Statement of Activities - Rental Programs  
 For the Year Ended December 31, 2014

	Non-Syndicated Programs				Syndicated Programs			Total
	Shalom Properties, Inc.	Paz Properties, Inc.	Trinity House LLC	Siochain Properties LP	Stevens Corner LP	Benfield Farms LP	Sitkowski LP	
<b>Unrestricted Net Assets:</b>								
Operating revenues:								
Rental income, net of vacancies	\$ 428,785	\$ 479,228	\$ 170,161	\$ 171,894	\$ 541,439	\$ 221,709	\$ -	\$ 2,013,216
Interest income and other	4,588	8,782	793	3	9,838	16,730	-	40,734
Total operating revenues	433,373	488,010	170,954	171,897	551,277	238,439	-	2,053,950
Operating expenses:								
Rental programs	330,989	383,546	145,225	141,759	494,612	412,948	2,055	1,911,134
Depreciation and amortization	61,322	121,775	60,815	61,462	248,204	204,136	-	757,714
Total operating expenses	392,311	505,321	206,040	203,221	742,816	617,084	2,055	2,668,848
Changes in unrestricted net assets from operations	41,062	(17,311)	(35,086)	(31,324)	(191,539)	(378,645)	(2,055)	(614,898)
Non-operating expenses:								
Rent-up and marketing	-	-	-	-	-	(142,880)	-	(142,880)
Deferred interest	-	-	(14,669)	(117,019)	(93,587)	-	-	(225,275)
Total non-operating expenses	-	-	(14,669)	(117,019)	(93,587)	(142,880)	-	(368,155)
Changes in unrestricted net assets	\$ 41,062	\$ (17,311)	\$ (49,755)	\$ (148,343)	\$ (285,126)	\$ (521,525)	\$ (2,055)	\$ (983,053)



**NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES**

Supplementary Combining Statement of Changes in Net Assets - Rental Programs  
For the Year Ended December 31, 2014

	Non-Syndicated Programs				Syndicated Programs			Total
	Shalom Properties, Inc.	Paz Properties, Inc.	Trinity House LLC	Siochain Properties LP	Stevens Corner LP	Benfield Farms LP	Sitkowski LP	
<b>Net Assets, December 31, 2013</b>	\$ 248,837	\$ (395,453)	\$ (49,035)	\$ (437,519)	\$ 3,531,385	\$ -	\$ -	\$ 2,898,215
Capital contributions	-	-	-	-	10,000	4,051,287	-	4,061,287
Syndication fees	-	-	-	-	-	(75,250)	-	(75,250)
Changes in net assets	<u>41,062</u>	<u>(17,311)</u>	<u>(49,755)</u>	<u>(148,343)</u>	<u>(285,126)</u>	<u>(521,525)</u>	<u>(2,055)</u>	<u>(983,053)</u>
<b>Net Assets, December 31, 2014</b>	<u>\$ 289,899</u>	<u>\$ (412,764)</u>	<u>\$ (98,790)</u>	<u>\$ (585,862)</u>	<u>\$ 3,256,259</u>	<u>\$ 3,454,512</u>	<u>\$ (2,055)</u>	<u>\$ 5,901,199</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Supplementary Combining Statement of Cash Flows - Rental Programs  
For the Year Ended December 31, 2014

	Non-Syndicated Programs				Syndicated Programs			Total
	Shalom Properties, Inc.	Paz Properties, Inc.	Trinity House LLC	Siochain Properties LP	Stevens Corner LP	Benfield Farms LP	Sitkowski LP	
<b>Cash Flows from Operating Activities:</b>								
Changes in net assets	\$ 41,062	\$ (17,311)	\$ (49,755)	\$ (148,343)	\$ (285,126)	\$ (521,525)	\$ (2,055)	\$ (983,053)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:								
Depreciation and amortization	61,322	121,775	60,815	61,462	248,204	204,136	-	757,714
Deferred interest	-	-	14,669	117,019	93,587	-	-	225,275
Bad debts	1,202	5,961	5,602	5,890	4,865	-	-	23,520
Changes in operating assets and liabilities:								
Contracts, loans and other receivables	(12,779)	(14,723)	(14,941)	(8,623)	(7,010)	(3,076)	-	(61,152)
Prepaid expenses and other	(3,957)	(1,204)	55	(76)	(291)	(4,961)	-	(10,434)
Accrued interest	-	-	-	-	-	133,599	-	133,599
Accounts payable and other liabilities	6,337	(3,140)	4,166	(1,280)	1,583	77,082	-	84,748
Deferred revenue	-	282	(266)	228	(1,473)	2,327	-	1,098
Due to affiliates	23,527	-	(21,811)	-	(6,218)	5,000	176,944	177,442
Deferred interest payments	-	-	-	-	(29,961)	-	-	(29,961)
Net cash provided by (used in) operating activities	116,714	91,640	(1,466)	26,277	18,160	(107,418)	174,889	318,796
<b>Cash Flows from Investing Activities:</b>								
Increase in projects under development	-	-	-	-	-	-	(13,726,087)	(13,726,087)
Financing fees	(52,921)	-	-	-	-	(104,740)	-	(157,661)
Increase in restricted deposits	(313,891)	(16,554)	(11,224)	(6,007)	(836)	(32,668)	-	(381,180)
Acquisition of property and equipment	(277,159)	(15,216)	(8,799)	(8,868)	(5,833)	(2,529,483)	-	(2,845,358)
Net cash used in investing activities	(643,971)	(31,770)	(20,023)	(14,875)	(6,669)	(2,666,891)	(13,726,087)	(17,110,286)
<b>Cash Flows from Financing Activities:</b>								
Principal payments of mortgages and notes payable	(457,370)	(19,609)	-	(15,455)	(38,276)	(2,300,000)	(716,715)	(3,547,425)
Capital contributions	-	-	-	-	10,000	4,051,287	-	4,061,287
Syndication fees	-	-	-	-	-	(75,250)	-	(75,250)
Proceeds from contingent loans and advances	3,800	-	-	-	-	-	6,155,392	6,159,192
Proceeds from mortgages and notes payable	985,000	-	-	-	-	1,190,500	8,202,756	10,378,256
Net cash provided by (used in) financing activities	531,430	(19,609)	-	(15,455)	(28,276)	2,866,537	13,641,433	16,976,060
<b>Net Change in Cash</b>	4,173	40,261	(21,489)	(4,053)	(16,785)	92,228	90,235	184,570
<b>Cash:</b>								
Beginning of year	33,525	172,715	109,403	48,013	59,664	19,353	-	442,673
End of year	\$ 37,698	\$ 212,976	\$ 87,914	\$ 43,960	\$ 42,879	\$ 111,581	\$ 90,235	\$ 627,243
<b>Supplemental Disclosure of Cash Flow Information:</b>								
Cash paid for interest	\$ 56,964	\$ 64,379	\$ -	\$ 15,418	\$ 128,091	\$ 33,468	\$ -	\$ 298,320
Construction in process placed in service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,974,710	\$ -	\$ 5,974,710
Projects under development financed with accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,731,160	\$ 2,731,160
Projects under development financed with developer fee payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 713,778	\$ 96,500	\$ 810,278

**NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES**

 Supplementary Combining Statement of Functional Expenses - Rental Programs  
 For the Year Ended December 31, 2014

	Non-Syndicated Programs				Syndicated Programs			Total
	Shalom Properties, Inc.	Paz Properties, Inc.	Trinity House LLC	Siochain Properties LP	Stevens Corner LP	Benfield Farms LP	Sitkowski LP	
<b>Personnel and Related:</b>								
Consulting and contract labor	\$ 7,557	\$ 14,346	\$ 8,164	\$ -	\$ 95,345	\$ 81,821	\$ -	\$ 207,233
<b>Other:</b>								
Repairs, maintenance and security	100,121	124,517	42,168	54,831	97,954	43,321	-	462,912
Interest expense and bank fees	57,004	64,400	-	15,449	98,171	148,550	-	383,574
Telephone and utilities	49,792	45,829	22,267	16,857	105,578	61,163	-	301,486
Insurance and taxes	63,269	66,831	17,734	24,408	55,556	28,390	-	256,188
Professional fees	23,938	30,878	14,455	14,647	16,786	18,700	-	119,404
Program expenses	20,116	14,566	32,731	5,065	5,031	12,401	-	89,910
Equipment rental and purchases	4,590	8,561	550	2,699	7,235	-	-	23,635
Bad debts	1,202	5,961	5,602	5,890	4,865	-	-	23,520
Miscellaneous	1,849	878	1,554	1,913	108	12,677	2,055	21,034
Supplies and general office	-	-	-	-	7,896	5,925	-	13,821
Travel and conferences	1,551	6,779	-	-	87	-	-	8,417
Total other	323,432	369,200	137,061	141,759	399,267	331,127	2,055	1,703,901
Total expenses before depreciation and amortization	330,989	383,546	145,225	141,759	494,612	412,948	2,055	1,911,134
<b>Depreciation and Amortization</b>	61,322	121,775	60,815	61,462	248,204	204,136	-	757,714
Total expenses	\$ 392,311	\$ 505,321	\$ 206,040	\$ 203,221	\$ 742,816	\$ 617,084	\$ 2,055	\$ 2,668,848

**NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES**

Supplementary Schedule of NeighborWorks America's Restricted Net Assets  
December 31, 2014

	<u>Capital Invested</u>	<u>Less Valuation Allowance</u>	<u>Eliminations</u>	<u>Restricted Net Assets</u>
<b>Contracts, Loans and Other Receivables:</b>				
NOAH CDFI - loan receivable from Peace Properties and Amani Properties	\$ 94,350	\$ -	\$ -	\$ 94,350
NOAH CDFI - loans receivable - Homeownership program	147,055	(34,450)	-	112,605
NOAH CDFI - loans receivable from Cutler Heights Housing LP	115,000	(115,000)	-	-
NOAH - loan receivable from Peace Properties - Sitkowski School	176,944	(117,500)	117,500	176,944
NOAH - loan receivable from Shalom Properties	75,000	(75,000)	75,000	75,000
<b>Investments:</b>				
Peace Properties investment	452,000	(429,074)	429,074	452,000
<b>Property and Equipment:</b>				
Shalom Properties	100,000	-	-	100,000
Paz Properties	207,108	-	-	207,108
<b>Project Under Development:</b>				
Peace Properties - Border Falcon Street	<u>70,000</u>	<u>(70,000)</u>	<u>70,000</u>	<u>70,000</u>
Total assets	<u>\$ 1,437,457</u>	<u>\$ (841,024)</u>	<u>\$ 691,574</u>	<u>\$ 1,288,007</u>

**NOTE:** This schedule has been prepared for the purpose of providing additional information to certain users of the accompanying combined financial statements and to comply with requirements of agreements with NeighborWorks America (NW). Please refer to Note 1 for additional information concerning accounting for NW restricted net assets. This schedule is intended to be used by management and NW and should not be used by anyone other than these parties.